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# *A CACOPHONY OF CRISES*

## *SYSTEMIC FAILURE AND REASSERTING PEOPLE'S RIGHTS*

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### **Abstract**

A cacophony of crises challenges neoliberalism and marks a fundamental reversal in capitalism itself. This is a systemic failure of the capitalist mode of production to renovate and renew itself through a multiplicity of environmental and resource crises and the financial crises which has important links with the real economy. Capitalism cannot survive by simply inventing new institutions – global or national – or by shifting to another phase. New nationalisms and protectionisms loom on the horizon, while darker shades of xenophobia are another possible scenario. A further possibility lies in the emergence of informalized labor markets and economies as a result of the last phase of neoliberal globalization. Informalization or

disposed surplus labor has some revolutionary potential. The paper discusses various alternatives based on the new economy of the informalized sectors

### **Keywords:**

crisis, neo-liberalism, globalization, nationalism, protectionism, labor, capital, informalization, alternatives

### **The Investor's Prayer**

Paul Lafargue (16 June 1842 - 26 November 1911), a French Marxist, was Karl Marx's son-in-law. This prayer is excerpted from his satire *The Religion of Capital* published in French *La Religion du Capital* 1887.

*My father, CAPITAL, who are on earth, Almighty God, who changest the course of rivers, tunnelest mountains, separatest contiguous shores, and meltest into one distant nations. Creator of Merchandise, and Source of Life, oh, Thou, who rulest Kings and subjects, laborers and employers, may Thy Kingdom be for evermore on earth. Give us plentiful purchasers to take our goods off our hands, without looking too closely whether these be genuine or shoddy, pure or adulterated. Give us needy working people, who will accept the hardest work and the lowest pay without grumbling. Send us gudgeons who may be allured by the tempting bait of our prospectuses, and ensnared in the network of our fair promises. Cause our debtors to pay us their debts in full. Lead us not into the penitentiary, but deliver us from bankruptcy, and grant us never ceasing dividends. Amen.*



The capitalist world economy is in crisis. The promises of neoliberal globalization have failed to materialize. Even adherents of the ideology of utopian “free-markets” fear that, with this temporary phase of crisis, globalization has reached its end-point. The strategy of neoliberalism on the world scale has become synonymous with a dysfunctional calamity of hyper-exploitation, growing inequalities, exclusive imposition of property rights, and greed that benefits a tiny elite of super nova rich. Since 1995, signs of decline have multiplied, turning a confused situation into a world-wide depression. “We have scarcely noticed this collapse, however, because globalization has been asserted by its believers to be inevitable -- an all-powerful god; a holy trinity of burgeoning markets, unsleeping technology and borderless managers. Opposition or criticism has been treated as little more than romantic paganism” (Saul 2004; Saul 2005).

With the 2008 Wall Street crash, this prediction seems timely, although others, like Morgan Stanley’s Stephen Roach, had already warned in 2004 that America had no “better than a 10 percent chance of avoiding economic ‘Armageddon.’” This because of the trade deficit. To finance its current account deficit with the rest of the world, the United States would have to import \$2.6 billion in cash every working day. Household debt was nearing 85 percent of the size of the US economy in 2004 (Arends 2004). 1929 repeats itself. IMF estimates show the loss of asset values at \$55 trillion, equivalent to almost exactly one year’s global output of goods and services (Harvey 2009). This situation has led the Chinese state media to blame the US for unleashing financial “weapons of mass destruction” and sparking a global market “tsunami”.

This paper argues that we have reached the end of the phase of neoliberal globalization and will probably move into a period of renewed nationalism and protectionism. Energy depletion and climate change converge with global economic meltdown, exacerbating it, to create a post-neoliberal collapse of the world economy. This scenario is covered in the first section of the paper. The second section gives examples

of the current drive towards nationalist and protectionist measures. The third section discusses whether these are viable. It argues that understanding the era of neoliberalism as an ideological discourse has been an inadequate conception of the deregulation and privatization drive, since the inception of the neoclassical counter revolution at the beginning of the 1980s. This framing of the problem prevents the necessary thinking for advancing an alternative strategy in the wake of on-going crisis. It is more important than ever to distinguish between understanding neoliberalism as an ideologically-driven strategy to free markets from states on the one hand, and a materially-driven form of social rule that has involved the liberalization of markets through state intervention and management, on the other (Panitch and Gindin 2008). Section four argues for mobilizing an alternative in the informal sector. Finally these discussions are put into the larger picture concerning current debates about rights, democracy and so-called civil society-based organizations within a cacophony of crises.

## Introduction

The damaging results of the last few decades of free-wheeling Ponzi capitalism were predictable from the very beginning. In the 1980s, the real economy crumbled into an artificial and speculative “casino economy” (Strange 1986); labor markets were increasingly informalized, resulting in the emergence of parallel economies (Schmidt 2006); there was a subsequent growth of an estimated 15-20 percent of the real parallel economy in the forms of global crime and the shadow economy. The monopoly of the means of organized violence in the state in the South disappeared, and the world became “littered with collapsed states.” In those parts of the third world, “wars have been fought by irregular armies, commanded by political and religious organizations, often clan-based, and prone to savage internecine conflicts” (Gray 2001). In others, like Iraq, Afghanistan and the Congo, the wars are fought by private Western security companies, involved in illegal atrocities, and in many cases acting as proxies for US and European governments, outside international law and jurisdiction.

One of the results of this chaotic informalization of the global economy is a growing flow of migrants, asylum seekers and refugees trying to cross borders. More than 100 million international migrants, without basic human rights, are vulnerable and marginalized. They are the 'heroes' of the so-called "Asian miracle", who comprise the bonded labor substitute for the non-redistributive economic policies of the region, and who bear the costs of the non-existing East Asian welfare state on their shoulders. They have built the skyscrapers of the Asian metropolises and they live and work together with the internal migrants and slum dwellers in the informalized sectors of Bangkok, Singapore, and Shanghai.

On a global scale, privatization, trade liberalization and market deregulation have led to informalization. Massive financial turmoil, a real social crisis of increasing global, regional and national inequalities, and a growing gap between the developed and developing nations, sparked an alarming food crisis. The World Bank, prime promoter of the "free trade and export or die" model, warned, in 2008, that food riots might take place in 33 countries. And the WTO fears resurgence in protectionism: some food-exporting countries – India, Vietnam, Egypt, and Kazakhstan – decided to reduce exports in order to protect their own societies from food shortages. World prices for commodities rose dramatically (over 35% in 2008 alone), and millions of people try to survive below the UN-established minimum food intake. The UN Special Rapporteur for the Right to Food, Jean Ziegler, said that the production of biofuels is "a crime against humanity" because of its impact on global food prices. He also accused the EU of undermining production in Africa by subsidizing its agriculture. "The EU finances the exports of European agricultural surpluses to Africa ... where they are offered at one half or one third of their (production) price." "That completely ruins African agriculture," and "creates hunger refugees". In 2008, rising food costs sparked violent protests in Cameroon, Egypt, Ethiopia, Haiti, Indonesia, Ivory Coast, Madagascar, Mauritania, the Philippines and other countries. In Pakistan and Thailand, troops were deployed to prevent seizures of

food from fields and warehouses, while price increases fuelled a general strike in Burkina Faso. Jean Ziegler further refers to the "schizophrenia in the UN system and in states' policies" as one of the key obstacles to the promotion and protection of the right to adequate food. He condemns the World Bank and the IMF for their refusal to recognize the existence of the right to food, and finds that their insistence on the privatisation of institutions and public utilities, the liberalisation of agricultural trade, and market-assisted models of land-reform "create catastrophic consequences" (UN General Assembly 2006).

The US dominated international organizations (the UN, IMF, World Bank and WTO) have been turned into instruments of power politics. The legitimacy of the global governance system has been increasingly eroded by double-speak and double-standards, not only in food policy, but in terms too of democracy and human rights. If the wrong side wins elections, like Front Islamique du Salut in Algeria, or Hamas in the Palestinian occupied territories, the democratic process is suspended by the Western democracies. Under the pretext of making the world "safe for democracy", Washington has followed a policy of regime change. By focusing on the wars in Iraq, Afghanistan, and possibly next Iran, whose ultimate purpose is to secure US and European oil interests, encircle Russia and China, and guarantee Israel's regional interests and territorial expansion, the executive and legislative branches of government, along with the media, have lost the last opportunities for the US had to put its financial house in order (Roberts 2007). In the last instance, this course threatens to undermine the legitimacy of democracy itself as a legitimate form of governance.

Loaded with contradictions, the democracy and human rights discourse is in desperate need of deconstruction. Economists Jean Drèze and Amartya Sen estimate that, departing from a similar base, authoritarian China and democratic India have followed different development paths and that the difference between the social systems of these two countries results in about 3.9 million extra deaths in India every

year. In Latin America, 285,000 lives would be saved each year if Cuban health and food policies were applied. As Brickmont (2006) notes: "I am not saying that social and economic performance can justify deficiencies in other fields of human rights. But no-one would maintain that the contrary is true: respect for individual and political rights does not justify flouting social and economic rights. Why do the defenders of human rights remain silent on this point? With regard to Cuba: Can the lack of individual freedoms be justified by effective health care?" Such double-standards are closely linked to the performance of the global governance system and the legitimacy of the post-Washington consensus.

The function of those in power, and their institutions, is to promote the expansion of capital accumulation. IFIs are often criticized on the ground that their policies do not promote development. But it should be understood that their primary function is, besides preserving the viability of the world capitalist system, to promote capital accumulation, which entails a transfer of wealth from the South to the North. The dominating premise is that the accumulation system is immutable and all countries must conform to its operations (Biel 2000). Recently, however, it seems that the Bretton Woods system has been challenged, while the WTO finds itself in shambles. Latin America verges on establishing an alternative to the World Bank – Banco del Sur. East Asia seems ready to implement its own IMF, the Asian Monetary Fund, as decided in Chiang Mai in May 2008. The IMF and the World Bank have their headquarters in Washington, home of the world's largest debtor, yet "today global development finance is increasingly accessed directly from private sources and emerging economies such as China, the Gulf States, India and Brazil." It seems that the fee-paying clients of the IMF vote with their feet and seek to build up their own reserves to avoid using the institution (Woods 2008). Altogether this is challenging US control over global governance.

The process of disintegration started in the United States and will end in the North American "free market" laboratory. Confronted by a triple, deep crisis of the economy, the environment, and the political

institutions, the US dominated system implodes. Even the IMF foresaw problems in the US housing market, with unresolved financial sector problems leading the economy to downturn: "In fact, we are now anticipating that the United States will indeed slip into recession" (IMF 2008). Former Australian Treasurer, Peter Costello, noted that lately you've been "exporting instability" in world markets, while Yashwant Sinha, former finance minister of India, concluded, "The time has come. The U.S. should accept some monitoring by the IMF" (Kestenbaum 2008). Interestingly the IMF applauded the Bush administration's, and later the Obama's response, and the critical role played by central banks – a move that unmask the hypocrisy of the Bretton Woods institutions and reveals their true agenda.

Let us list a few desperate measures: nationalisation of the home financing conglomerates, Fannie and Freddie, and the world's largest insurance company AIG, and the bail-out of the Bear Stearns creditors; "the use of the Fed balance sheet (hundreds of billions of safe US Treasuries swapped for junk, toxic, illiquid private securities); the use of the other GSEs (the Federal Home Loan Bank system) to provide hundreds of billions of dollars of 'liquidity' to distressed, illiquid and insolvent mortgage lenders; the use of the SEC to manipulate the stock market (through restrictions on short sales). Then there's the use of the US Treasury to manipulate the mortgage market, the creation of a whole host of new bail-out facilities to prop and rescue banks and, for the first time since the Great Depression, to bail out non-bank financial institutions" (Roubini 2008).

Behind financial collapse lies the social ruin wrought about by a debt-based monetary system. The solution might be similar to any of the other, frequent financial crises, such as that of the 1997 Asian financial crisis. Profits are privatised while losses are socialised; taxpayers pay the bill for generations to come. Financial collapse drags down the productive economy as job losses mount in a classical surplus production cycle. The major difference is that 'creative destruction' in East and Southeast Asia was introduced

by the IFIs to “cut public spending, shut down banks and investment houses and let asset prices – stocks, real estate and currencies – find their market level. In return, East Asia received modest financing from the IMF.... The result: their economies collapsed. Thailand, Indonesia and Korea saw falls in 1998 GDP of 11, 13 and 7 percent respectively” (Linn 2008; Schmidt 2007b).

The contagion effect of the crisis of capitalism represents what Paul Baran and Paul Sweezy aptly described as a “gigantic system of speculating, swindling, and cheating.” At the global level such speculation poses tremendous challenges to people’s organizations, solidarity movements, and to people fighting for increasing the social, political and ecological rights of ordinary people, at the local, national, regional or even global levels. The dominant response on both left and right is a call for more regulation and government intervention. But this “fails to shed light on the convergence of interests of business and political elites as well as the ongoing class war that has eviscerated the ranks of unionized labor, stagnated wages, and casualized workers across all sectors of the economy” (Walker 2008).

The deep, systemic causes of the social and environmental dilemmas unfolding around us are a function of the present phase of the capital accumulation process -- the growth of endless consumption, increasing levels of inequality, and the institutional pathology induced by successive US administrations. The neoliberal imperative is depleting the natural life support system of the planet, disrupting the hydrological and climate systems, and threatening human survival (Korten 2007). As President Chavez of Venezuela pointed out at the United Nations, “the US rulers show themselves willing to risk even the survival of the species in pursuit of global hegemony” (Estabrook 2007). Climate change has become a major political issue and, coupled with other global, regional and local dramas might increasingly be identified as a security issue. China now has overtaken the US in greenhouse emissions and requires at least 10 times more energy than the more mature industrialized

nations to produce one unit of GDP (George 2008). One of the world’s largest energy consuming and polluting countries, China poses a real concern for security through its increasing dependence on fossil fuels like oil, gas and coal.

Climate change and the degradation of the environment are linked to the systemic failure of the current mode of production – no matter the political and institutional systems in which the capitalist market economy is embedded. There are horizontal links among the failures of neoliberal capitalism, the depletion of oil, and the tremendous speculative price hikes in this and other natural resources (Crude oil price increased five-fold in five years, from \$22 per barrel in 2003, to \$125 in May 2008, and then fell, and rose again). The scarcity of water and oil is already a security issue which has led to wars, while China’s, India’s and Brazil’s rise projects more competition for scarce resources in very near future. Corporate interests claim that water “is the oil of this century.” Cheap, abundant fresh water has largely been taken for granted by developed nations. However, global population growth, pollution, and climate change are shaping the new perception of water as “blue gold” in the capital accumulation process. Global water markets, including drinking water distribution, management, waste treatment, and agriculture are a nearly \$500 billion, fast growing market. The privatization of public water systems is contested by a global “water is a human right” movement that proclaims water to be essential for human life. “Global warming isn’t going to change the amount of water, but some places used to getting it won’t, and others that don’t, will get more. Water scarcity may be one of the most under appreciated global political and environmental challenges of our time which could have an impact on global peace and stability” (Clayton 2008).

Depletions of water and oil are closely linked to the food crisis by speculative increases in prices of food and primary commodities, straining poor and marginalized people’s time, money and food intake. The end of the fossil fuel era of industrialization should be seen in the context of crises of the capitalist mode of production. The relationship of the fictive

economy to the productive economy has been transformed. Incredible as it may seem: “40 per cent of total corporate profits in the US in recent years went to the financial sector that in itself does not ‘produce’ ... but that ‘intermediates and organises’ the resources that do produce” (Dervish 2008). When the price of crude oil increases so do food prices, while the surge in bioethanol production has contributed to the speculative bubble in primary commodity prices, again with catastrophic consequences for the world’s poor, driving more than 900 million people into hunger and starvation. These are the horrendous costs of the financial crisis (Altwater 2009).

The growing concentration of financial power in a global economy engaged in ever-more intense competition for a declining base of material wealth creation erodes the social fabric to the point of widespread breakdown on a world scale. Institutional pathology denotes that “the most powerful institutions on the planet, global financial markets and the transnational corporations that serve them, are dedicated to growing consumption and inequality. They convert real capital into financial capital to increase the relative economic power of those who live by money, while depressing the wages of those who produce real value through their labor. They offer palliatives that leave the deeper cause of our potentially terminal environmental and social crises untouched, because they are the cause” (Korten 2007).

The long-term economic decline of the US economy is illustrated by the fact that even a 40% depreciation of the dollar (2002-2008) has not improved the US balance of payments or produced a trade surplus (Petrus 2008). Furthermore, most Americans have experienced a decline in real income. Since 2001 the pay of the typical American worker has been stagnating, with real wages growing less than half as fast as productivity. By contrast, the corporate CEOs have enjoyed a Beckhamesque bonanza. The total pay of the typical top American manager has increased from roughly 40 times the average to 110 times the average now (The Economist Jan. 18th 2007). 17% of Americans are now living below the

poverty line. The middle class is rapidly dissolving into the underclass. Workers are producing more goods and services, but their productivity is rewarded by lower wages and longer hours. Executives of TNCs and financial institutions are having obscene incomes while workers are losing their pensions (Baker 2007). The hyper-rich – the top two percent that captures more than half of the world’s GDP – tries to hide their profits in tax havens, finds loopholes, lobbies fiercely in parliaments and ministries against regulation of banks and financial markets (George 2008). Wall Street and the military-industrial complex now have the upper hand in US politics. It is just conceivable that the Obama Administration will be able to restore the global image of the United States, but this does not mean that the White House now understands the multi-layered nature of crisis, nor deep rooted systemic failure.

In principle the crisis of neoliberalism could be resolved by a major systemic shake-up involving, for example, new economic doctrines and reforms of the global governance institutions. But this resolution is unlikely, for two reasons: First, non-renewable natural and human resources are being exhausted and no form of capitalism can resolve that crisis (Biel 2000: 288). Second, a declining superpower armed to the teeth is unlikely to give up power voluntarily. “The US maintains a network of 737 American military bases around the world (according to the Pentagon’s own 2005 official inventory). Not including the Iraq and Afghanistan conflicts, there are over half a million US troops, spies, contractors, dependents, and others on military bases located in more than 130 countries, many of them presided over by dictatorial regimes that have given their citizens no say in the decision to let them in” (Johnson 2007). The decline of US hegemony, and the current shift of economic gravity from the West to the East, can only be resolved by the creation of a new multi-polar world order based on what Polanyi predicted as several regional centers of power. In Latin America, a new generation of leftist political leaders is responding to a profound disillusion with neoliberal policies. Similar currents are stirring in Africa and, especially, in East Asia (although with

different political and ideological flavors). A common struggle against the entrenchment of global power has forged political and economic links among major regions of the global south. Given the severe imbalance of power between the developed and the developing world, it is difficult to imagine that a newly restructured multilateral financial and economic order would not be biased in favor of the rich and the mighty. The new regional formations will have to furnish themselves with financial institutions to manage external trade and investment (Schmidt 2007a). Whether this last scenario will materialize remains to be seen. In the meantime dark clouds loom on the horizon, while new inter-capitalist rivalries are dawning.

### Nationalism: Positive Or Negative

With the growing failure of global capitalism has come a rising tide of alternate views of the world, including a massive return of nationalism. Whether this is a positive or a negative nationalism remains to be seen, but there are clear signs today of aggressive rivalry between the two poles, as both gain strength (Saul 2004). Economic nationalism and protectionism is not necessarily the problem. Polanyi's concept of the double-movement denotes that in re-imposing effective social control over their economies, societies must ultimately choose between either the fascist or the socialist principle, for a fundamental and inevitable conflict lies between an individual's need and desire for freedom, and a modern complex society's need to define the framework and parameters within which economic activity must be embedded and organized. Today, as in the past, the rich and powerful tend to prefer the fascist solution, because it allows them to defend their power and their privileges more effectively. This means that those who prefer a democratic socialist solution always face a more difficult struggle (Bienefeld 2007: 13-14). The capitalist class never inherently needed democracy, and even less egalitarianism. Hence the attractiveness of China and Vietnam to foreign capital – these countries are the real darlings of private capital, and in this equation, democracy and human rights are regarded as obstacles to high-speed profit making.

There is an observable swing to nationalist and protectionist measures. Signs of backlash abound. Stephen Roach counts 27 pieces of anti-China legislation in the US Congress since early 2005. The German Marshall Fund found that more than half of Americans want to protect companies and domestic jobs against foreign competition, even if that means slowing growth. "Japan is alarmed about inequality, stagnant wages and jobs going to China. Europe has tied itself in knots trying to "manage" trade in Chinese textiles" (*The Economist* Jan. 18th 2007). There has also been resistance in the US Congress to foreign takeovers and changes in visa requirements in the name of homeland security (McRae 2007). This is also the case in corporate-driven EU. A lack of transparency – the so-called democratic deficit -- in the Commission has, together with the stalemate surrounding the Constitution and the Euro crisis, made the vulnerable segments of the EU populations more skeptical about regional institutions. The 'war on terror' has created a draconian climate of fear, extra-judicial detention, and expulsion of illegal immigrants, leading to serious violations of human rights and a virtual and physical surveillance system of Orwellian proportions. Anti-terror laws combined with European foreign policy support for the wars in Palestine, Iraq and Afghanistan demonstrate the hypocrisy involved, and create the real paradox – more fear, and more terror.

A growing xenophobia against refugees fuels rightwing populist "identity politics". The migrant and refugee regime has shifted from a system designed to welcome Cold War refugees from the East, and to resettle them as permanent exiles in their new homes, to a 'non-entrée regime', designed to exclude and control asylum seekers from the South. This implies that the major burden of caring for refugees falls overwhelmingly on the poorer countries of Asia and Africa (Castles 2003: 181). Progressive organizations are also facing rightwing social movements that appeal to widespread anxieties, prejudices, and resentments, in order to exploit them for political gain. The real problem is the restrictive notion of citizenship, which holds that genuine democracy is based on a culturally, if not ethnically, homogeneous community; that only long-standing citizens count as full members;



and that society's benefits should be restricted to those members of society who, either as citizens or taxpayers, have made a substantial contribution to society (Betz 2003: 194-195).

The inherent contradiction between capitalism and democracy is likewise visible within Europe, where negative nationalism, in the form of new levels of islamophobia against, first and foremost, immigrants and refugees with a Muslim background, has put the Left and leftist movements on the defensive. This is uncharted territory for European socialism. An offensive posture by socialists in defence of bourgeois rights in capitalist society creates confusion on many issues. Under the conditions of real existing capitalism, socialists should be aware that ghosts from the past haunt these societies. What seems to be ominous is that a substantial segment of the populations is responsive to demagogy, and that a most serious menace is to be found in an apparent change in the political culture of society. In the present context, catering to a xenophobic discourse, and nurturing Islamophobia, serves the extreme right. Right-wing un-democratic

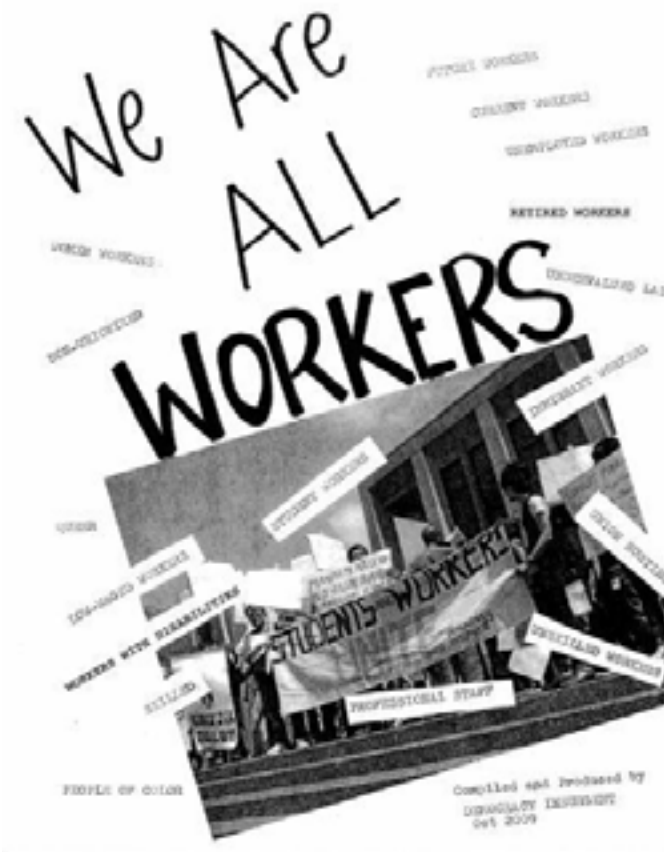
tendencies are not only a structural phenomenon; they require an ideologically motivated mass movement. Seen in this light we can sense danger signals throughout most of Europe (Brun and Hersh 2008).

Thus we are seeing the introduction of measures limiting civic rights in European and other Western societies. This prepares the ground for policies that can be used against progressives and labor movements should the economic crisis become politically uncontrollable. The paradox seems to be that the EU and the US are moving more and more towards an anti-democratic solution, while at the same time bashing China, Vietnam, Cuba and Venezuela for their authoritarian policies. Tensions between nationalism and a real dismantling of the neoliberal institutions have not yet found a final solution.

### From TINA To TAMA (There Are Many Alternatives)

Perry Anderson has recently reminded us of Margaret Thatcher's famous dictum that "there is no alternative" (TINA) to neoliberal globalization, claiming that such sentiment runs deep in popular consciousness. He notes that the first years of the 21st century "have seen some spectacular demonstrations of popular will -- the WSF in 2001-02, Venezuela in 2002-03, Bolivia in 2004, France in 2005 -- and a patchwork of resistances elsewhere, but the overall drift of the period has been a further shift to the right ... the cry 'Another World Is Possible' risks sounding increasingly desperate..." (Anderson 2007: 27).

In contrast to Anderson's pessimism, finding a way of transgressing the capital-labor nexus, fundamental to the accumulation process, can be said to be the precondition for the most radical break with the history of capitalism. The current alternatives are indeed examples of a break with the very holy grail of capitalism, namely private property. New left-leaning governments, seizing the momentum of the democratic opening, won elections throughout Latin America, except Mexico and Columbia. The re-nationalization of oil and other natural resources in Venezuela, Ecuador, and Bolivia is a victory for



the Left, and a rebellion against the dictatorship of finance, and can be interpreted as a way to bring money back under the democratic control of public authorities, while ending the privatization of credit creation (Bienefeld 2007: 28). Even more intriguing, the take-over of state power grew out of social and civil society movements, some based in the informalized sector. Either through armed struggle or peaceful means, all seem to operate with key strategic solidarity aspects from the global justice movements. Additionally they are taking nature, environment, land, rights into consideration, and questioning the systemic “modus operandi” of capitalism – free trade and the existing link between labor and capital. Anti-systemic forces should acknowledge that what is at stake is not mitigating of market failure or governing the market. Such an approach re-legitimizes capitalism as a socio-economic system based on class differentiation and competition, thereby representing more of an alternance than an alternative to real existing capitalism (Schmidt and Hersh 2006: 82).

What is needed is: a cultural and institutional transformation that reduces aggregate consumption while achieving an equitable distribution of economic power; an equitable distribution of the Earth’s life-sustaining wealth; increase economic efficiency by reallocating material resources from harmful to beneficial uses; investment in the regeneration of the living human, social, and natural capital that is the foundation of all real wealth; acceleration of social innovation, adaptation, and learning by nurturing cultural diversity; and removing intellectual property rights as impediments to the free and open flow of beneficial knowledge (Korten 2007). To achieve such a scenario, the world’s justice movements might proceed to a “Fifth International”: “The rise of the global justice movements as the world’s first-ever multi-issue political convergence was profoundly important, and South Africa has become a site of crucial, productive conflicts for these movements’ developments. The time may well arise for a formalisation of the movement’s character in explicitly political terms, such as within the traditions of international socialism – for which the first four ‘internationals’ provide a host of lessons,

largely negative, about world-scale co-ordination” (Bond 2004: 216-217). Hence in sum, the approach of the South African social movements – thinking globally, and acting locally first, while changing the balance of forces nationally and internationally, so that acting globally might one day generate something meaningful – is a wise route towards a final attack on global apartheid and capitalism itself. “No matter the continual reversals, the opportunities to take up these challenges, and link them across countries and sectors of struggle, is now greater than at any time in memory” (Bond 2004: 219)

Another viable path is more concerned with strategies related to informalization and the trajectory of a new economy.

### **Informalization Of Labor – Towards A New Economy**

In general, capitalism has coped with the parallel rise in the informalized economy by denying its existence. New types of informalization have increased to such an extent that which economy is in fact ‘normal’ is not self-evident (Neef and Stanculescu 2002: 1). ILO estimates suggest that informal employment comprises about one-half to three-quarters of non-agricultural employment in developing countries. A staggering one billion workers are either unemployed or underemployed. These proportions appear to be rising, even as economic growth is proceeding in developing countries (Heinz and Pollin 2003: 1). The rise of the informalized sector is a direct result of neoliberal globalization (Schmidt 2006), and under such extreme conditions of competition, the neoliberal prescription of flexibility has turned out to be, simply, catastrophic. “De Sotan slogans simply grease the skids to a Hobbesian hell. Those engaged in informal-sector competition under conditions of infinite labor supply usually stop short of a total war of all against all, conflict instead is usually transmuted into ethnoreligious or racial violence” (Davis 2006: 175 and 185). The informal economy is removed from state regulation and formal institutions. It allows the cheap reproduction of labor and ensures the survival

of poor people. The absence of taxes and social contributions is paid for with high social risks. It is basically keyed to covering basic needs and everyday consumption, while accumulation requirements are secondary (Neef and Stanculescu 2002: 2).

From the standpoint of neoliberal economic policy, informalization is not an unfortunate side-effect of other policy initiatives. It is, rather, a conscious policy outcome, the inevitable result of the hegemony of neoclassical economy (Toye 1993). In other words, informalization and increased labor market flexibility are simply two aspects of the same phenomenon. The implementation of neoliberal policy can explain the rise of informalization through several mutually reinforcing channels. The proportion of state employees will necessarily fall each time governments cut public employment. Maintaining low labor costs is often the single dominant element for successfully promoting export orientation. The ultimate goal is to limit workers' benefits resulting from productivity improvements, to reduce social and legal protections, and to weaken labor's bargaining power. The rise of informalization will feed upon itself as the bargaining power of workers weakens further (Heinz and Pollin 2003: 6-7)

This is clearly the case in East and Southeast Asia, where the IFIs' push towards greater flexibility of labor markets has increased the informalization of employment. This is exacerbated by serious increases in inequality. The day is gone when the East Asian NICs could claim credit for 'equitable' economic growth and egalitarianism. "Many countries in the region have witnessed increases in either/both types of informal employment, making it more difficult to find and even define formal employment. The normal or standard employment is becoming a misnomer" (Schmidt 2007b: 39). Three decades of neoliberal globalization has seen that the prospects for achieving full employment permanently reduced. Unemployment and part-time employment have soared everywhere, hitting 17 percent of the labor force in the United States. With a greater level of informalization and reliance on casual labor, the nature of work

has changed drastically. Indeed we can also observe a trend towards Thirdworldization of labor markets in the North, especially in the United States (Schmidt 2006).

From another, more strategic perspective, informalization is a consequence of capital going global, while labor organization remains national. Increasingly trade unionism is no longer a struggle with capital, but trench warfare against the tax-payer. The public sector offers a more favorable terrain for trade union recruitment, compared to the concomitant difficulties of organizing workers in productive activities exposed to globalization. Global organized trade unionism has, with important exceptions, become weaker, more divided, and reduced to confrontational politics. Work force growth, together with the labor-demolition strategies of TNCs in order "to remain internationally competitive," to use their pedestrian refurbished rationalization, will augment joblessness, further increasing inequalities (Clairmont 1996: 346).

The basic issue is that there is a historical trend towards forms of production organization in which capital no longer needs to pay for the reproduction of labor power. At the same time, participation in the global marketplace means that the domestic market is no longer needed to serve the self-expansion of capital. Jobless growth is what the present phase of capitalism is all about. "It is this process of globalization rather than any claimed imbalance in the national accounts between public and private sector growth (the fiscal deficit), nor any demographic imbalance (the greying population) that is the main reason for the perceived need to shed and restructure the welfare state which has become the dominant political project in all advanced countries since the 1980s" (Hoogvelt 1997: 113). Coupled with the fact that there is a 'race to the bottom' in terms of job exports, outsourcing, and competitive lowering of standards, regulations and laws, it is interesting to note that, so far, the response from organized labor in the North is largely re-active, in most cases relying on a defensive and protectionist posture. So, the question arises, what types of resistance are reliable, and which are unsustainable, in both

a short-term and longer-term perspective? Are the slogans of anti-globalization in reality alter-globalization, in the sense of representing an alternative expression of a different form of globalization, as some represent the global social justice movement?

Ellen Meiksins Wood criticizes anti-capitalist forces who focus on TNCs and international agencies. She points out that many of the arguments used against these organizations are not anti-capitalist, but anti-global. The real issue is that globalization is a consequence of capitalism, not a cause of exploitation. Instead, Wood forcefully argues that nation states are still the most reliable guarantors of capital accumulation, and therefore states should remain the focus of progressive movements. She makes a strong case saying: "While we can imagine capital continuing its daily operations with barely a hiccup if the WTO were destroyed, it is inconceivable that those operations would long survive the destruction of the local state." Furthermore "capitalism whether national or global, is driven by certain systemic imperatives of competition, profit maximization and accumulation, which inevitably require putting 'exchange values' above 'use values' and profit above people." The point is that, the capitalist state has always performed an important function: "controlling the mobility of labor, while preserving capital's freedom of movement" (Wood 2003: 134, 131, 133).

Globalization can only create the illusion of prosperity for all. Globalization has not made the world flat, as Thomas Friedman claimed. Globalization per se is not a new phenomenon but rather a rhetorical discourse invoked by establishments in the North to justify their voluntary surrender to the dictate of financial markets. The process leading to the victory of the retrenchment of the state was related to the betrayal of political classes, and the balance of forces in the class struggle: "... far from being -- as we are constantly told -- the inevitable result of the growth of foreign trade, deindustrialization, growing inequality and the retrenchment of social policies are the result of domestic political decisions that reflect the tipping of the balance of class forces in favour of the owners of capital" (Bourdieu and Wacquant 2001; Hersh 2004).

This is the reason for the increasing signs of popular and workers' organised resistance against the impact of globalization and "... a revolt against the idea that labor, rather than investors or management, should pay the cost of corporate globalization" (Pfaff IHT 1997).

The ideas of the 'free market' satisfy the need for a distortion of reality and the need to conceal the realities of exploitative relationships, in order to defuse the solidarity mechanisms of the disfavored and the oppressed. Capitalism must also create the norms or identities that determine the role of the actors within the new accumulation process (Biel 2000: 170). In this way the market incorporates new and old structures of dominance. In "really existing capitalism", monopolies and speculative capital control the economy by undermining solidarity mechanisms. "An apparent culture of opportunity was created which, in exchange for a largely fractious promise of individual betterment, undermined solidarity movements in the third world and elsewhere" (Biel 2000: 171). Informalization of the economy and the emerging new resistance and solidarity movements in civil society are a product of two factors: firstly, objective forces of capitalist development, and secondly the attack on the organized left (Biel 2000: 289). Yet informalization can lead to an alternative social system. The informal sector is not a *deus ex machina*, but "a soulless wasteland," yet also an economy of resistance that confers honor on the poor "where otherwise the logic of the market leads to total despair" (Davis 2006: 198). Together with precarious and casualized work conditions, informalization also contains the seeds of anti-exploitative struggles that can be dangerous to capitalism "for it often means that workers control their own productive activity in a co-operative way, and create local, self-sufficient economic systems. They gain experience which would be highly valuable in the construction of an alternative system" (Biel 2000: 290). Of course, informalized populations support numerous contradictory types of organizations, from faith-based communities and prophetic cults to ethnic militia street gangs, neoliberal NGOs, and revolutionary movements. As Davis mentions, although there are no monolithic subjects

or unilateral trends, there are nonetheless myriad acts of resistance. Indeed, the future of human solidarity depends upon the militant refusal of the urban poor, the slum dwellers and rural masses in the informalized sectors to accept their terminal marginality within global capitalism (Davis 2006: 202).

The question that has to be resolved, in order to surmount the dichotomy of welfare and workfare, concerns the conflict between the expropriation of people's means of subsistence and the continuous identification of labor power as a market commodity. The commodification of work has been a determinant component of primitive accumulation that made, and makes, industrial capitalism possible. As noted by Karl Polanyi, following Karl Marx, this relationship puts workers at the mercy of the demands of capital. The human commodity has little control as to where, why, and how it will be used, or not used, a condition exacerbated under neoliberal globalization. It is exactly here that the position of labor in the informalized sector comes to the fore.

The ideological discourse of modern capitalism has sought to embed work as an individual psychological need. But this overlooks the subsistence nexus that forces workers to sell their labor power. It is an irony of history that the 'Right to Work' has been celebrated as a great victory by the labor movement and the socialist forces. But it can be argued that, after having imposed this right, the working class landed in a 'prisoner's dilemma', whereby the essence of the capitalist exploitation of labor was cemented politically and ideologically. Thus, the defensive struggle for the protection and betterment of the conditions of the working class could not be anything but a 'guerrilla war', without possible victory, as long as the struggle did not raise the battle cry of the abolition of the wage system altogether. Voices like Karl Marx and Paul Lafargue within the socialist movement were aware of this impasse.

The struggle for participatory democracy would, in the view of Albo, open the way for opposition to neoliberal globalization. Accordingly, the opposite to globalization is democracy, not only in the crucial

sense of civil liberties and the right to vote, but also in the no less crucial sense of the capacity to debate collectively as social equals about societal organization and production, and to develop self-management capacities in workplaces and communities (Albo, 1997: 28 cf Schmidt and Hersh 2006: 86) and in the informal sector. Confronting the logic of the global market's imperatives would demand, besides the expansion of democracy, a reduction in the scale of production. This would also be a way of alleviating the environmental damages created by unbridled productivism. Most important in the suggestions for surmounting the destructiveness of the global market, and moving the political agenda towards socialism beyond capitalism, are Albo's reflections on the 'politics of time'. The argument that the conceptualization of labor time should be revised, if not abandoned, is close to the above argument concerning the abolition of wage labor and the fact that no such wage labor exists in the informal economy. In the optic of Albo, the notion of 'work without end', which has been the history of capitalism, the objective of 'endless consumption' under Fordism, and the Keynesian conviction that expanded output should always have precedence over work-time reduction, should all be superseded. The reduction of work-time would contribute to creating the administrative framework for workplace democracy (Albo, 1997: 37 cf Schmidt and Hersh 1997: 86-86).

It might be tempting to elevate and idealize slum-dwellers and the 'lumpenproletariat' of the informalized sectors, elevating them into a new revolutionary class. It is, nonetheless, surprising how far they conform to the old Marxist definition of the proletarian revolutionary subject: they are 'free' in the double meaning of the word, even more than the classical proletariat ('free' from all substantial ties; dwelling in a free space, outside the regulation of the state); they are a large collective, forcibly thrown into a situation where they have to invent some mode of being-together, while simultaneously deprived of support for their traditional ways of life (Žižek 2004). The slum-dwellers and the rural masses in the informalized sectors are the counter-class to the so-called 'symbolic class' (managers, journalists and PR people, academics, artists etc.), which is also uprooted, and



perceives itself as universal (a New York academic has more in common with a Slovene academic than with blacks in Harlem half a mile from his campus). “Are we seeing the gestation of the new axis of class struggle, or is the ‘symbolic class’ inherently split, so that one can make a wager on the coalition between the informalized slum-dwellers and the ‘progressive’ part of the symbolic class? The new forms of social awareness that emerge from slum collectives will be the germs of the future and the best hope for a property ‘free world’” (Žižek 2004). This way the anti-capitalist strategy might assume social command over both the production and distribution of surpluses (Harvey 2009), while decreasing the entropy on the Earth’s ecological system (Altvater 2009).

## Conclusion: Rights and democracy under the cacophony of crises

One of the main contradictions in the global neoliberal orthodoxy is how the same state-driven ideology could promise the “end of history” and an

infinite spread of democracy, and yet a decline in the power of the nation state? “Democracy exists only inside countries. Weaken the nation state and you weaken democracy! Why did an unprecedented increase in money supply translate into a dearth of money for public services? And why did this growth in new moneys enrich mainly those who already had money? Why did it lead to a growth of the rich-versus-poor dichotomy and a squeezing of the middle class? Why did the many privatisations of public utilities neither improve services nor lower costs for consumers but instead guarantee revenues to the new owners while leading to a collapse in infrastructure investment” (Saul 2004)? Capitalism, which literally means rule by financial capital -- by money and those who have it -- over all non-financial values, such as labor and commodities, has triumphed over democracy, markets, justice, life, and spirit. Human societies require strong, active, democratically accountable governments to set and enforce rules that assure that costs are internalized, equity is maintained, and economic forces are channeled to the service of democracy, justice, life, and spirit. The current situation has exposed the myths that blind us to the irreconcilable conflict between capitalism and democracy, and to the opposite potential of community-centered, life-serving alternatives based on principles of responsible citizenship, community, and equity (Korten 2007). Existing democracies, and the complex social compromises on which they rest, confront a lingering demise accompanied by growing social polarization and conflict, while new or ‘low intensity democracies’ are marked by the limited degree of progressive change they allow, rather than by their transformative capacity (Gills 2000: 5).

Democratisation from below is spearheaded by communities asserting their own power and self management, preservation and development of the diversity of culture, life forms and knowledge systems, as well as pursuance of alternative development and human scale economies (or economies of communities). Such community initiatives are scattered in Thailand, Sri Lanka, Bangladesh, India, and in the Philippines, for example, the popular education

circle is now arguing for the redefinition of “people” towards “actually existing people”, “not limiting it to NGOs and other terms of objective categories. People then refer to those who are seeking alternative paradigms as the real actors in the real world” (Guerrero 2001: 24). Whether people’s organizations can spearhead revolutionary change remains to be seen. But historically and comparatively speaking there is a potential for radicalization if these organizations are able to create an alternative vision, together with other political forces. The project of a “new economy” – an ecological and grounded alternative to the current mode of production – built on non-profit exchanges in the informalized sector has proven to be one viable way out of disaster capitalism.

Although there are encouraging examples of victories won by peoples’ organizations, there is also considerable fragmentation of civil society. Encouraged by the global restructuring of production, which fragments labor formerly unified through comprehensive collective bargaining and class consciousness, the new demands of flexible production and the informalization of labor markets have decreased the strength of workers (Schmidt 2007). This has implicitly meant that people’s organizations, in a number of situations, either act on behalf of labor or collaborate with non-unionised workers, or more informally with the established trade unions.

Finally, there is a tendency for people’s organizations, and especially NGOs, to take over state and public sector responsibilities, always with a significantly lower budget, or even act against the interests of those who support increases in collective goods and social redistribution. As they tend to deflect responsibility away from the state, and as long as workers, including the masses in the informalized sector, do not have political representation in accordance with their class interests, this might not be a sustainable strategy in the long run. The very act of defining themselves as ‘non-governmental’ explicitly rejects any ambition for establishing an alternative hegemonic project, which would, by its nature, have to include state capacities and government capability as the means through which political and economic power is articulated in

any society.

It seems to be taken for granted that the right to property, and the freedom to engage in economic activity, overrule all other human rights. The Thatcher-von Hayek dictum still rules, that economic freedom and rights are superior to every other kind of freedom, whether political, religious or intellectual (George 2008). This also implies that the capitalist state has fundamentally guaranteed property, above all in the form of the promise not to default on its bonds. This has led to a human rights conundrum, where there seems to be a convergence between business elites on both sides of the equation to downsize labor rights, and the rights of ordinary people to decent amenities, such as clean drinking water, healthy food, decent jobs, a minimum of social welfare and a sustainable environment. Profits seem to be the leit-motif of the current phase of recessionary capitalism. Political elites are still paying lip-service to freedom of speech while, at the same time, downsizing and privatizing collective entities.

In the end, there is a danger that solidarity and people’s organizations either insert themselves, explicitly or implicitly, within the liberal critique of the state’s actions, or else limit their activity to the sphere of civil society which, defined in opposition to the state, also ends at the boundaries of liberal politics. In fact, the very concept of ‘civil society’ masks the class nature of its components, the multinational corporations, banks and mafias that collectively demonize the state. The leading role of peoples’ organizations in the resistance to neoliberalism is a sign of the movement’s defensive character, still unable to formulate an alternative hegemonic strategy. A movement that brings the struggle against US imperial dominance together with the anti-capitalist elements of the movements in alliance with the informalized sectors, would mark the beginning of an offensive, politicized phase. This time, however, things may be different. For we are all facing the prospect of what happens when an ever-growing world economy reeling under the intensity of crises pushes humanity up against the limits of a finite planet.



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